10724

TREATIES AND OTHER INTERNATIONAL ACTS SERIES 10724

ECONOMIC ASSISTANCE

Rural Electrification

Agreement Between the
UNITED STATES OF AMERICA
and PAKISTAN

Signed at Islamabad May 23, 1983

NEWARK PUBLIC LIBRARY

JUN 1 1 1986

U. S. GOVT. PUBS.
DEPOSITORY 378

READEX
FICHE

best copy available

49-385 O - 85 - 1

S9. 18:

NOTE BY THE DEPARTMENT OF STATE

Pursuant to Public Law 89-497, approved July 8, 1966 (80 Stat. 271; 1 U.S.C. 113)—

". . . the Treaties and Other International Acts Series issued under the authority of the Secretary of State shall be competent evidence . . . of the treaties, international agreements other than treaties, and proclamations by the President of such treaties and international agreements other than treaties, as the case may be, therein contained, in all the courts of law and equity and of maritime jurisdiction, and in all the tribunals and public offices of the United States, and of the several States, without any further proof or authentication thereof."

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402

PAKISTAN

Economic Assistance: Rural Electrification

Agreement signed at Islamabad May 23, 1983;
Entered into force May 23, 1983.

A.I.D. LOAN NO. 391-K-189

PROJECT LOAN AGREEMENT

BETWEEN

THE PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN

AND THE

UNITED STATES OF AMERICA

FOR

RURAL ELECTRIFICATION

Dated: May 23, 1983

TABLE OF CONTENTS

		Pages	*[Pages herein]*
ARTICLE 1:	The Agreement	4	5
ARTICLE 2:	The Project	4	5
SECTION 2.1.	Definition of Project	4	5
SECTION 2.2.	Incremental Nature of Project	6	6
ARTICLE 3:	Financing	7	6
SECTION 3.1.	The Loan	7	6
SECTION 3.2.	Cooperating Country Resources for the Project.	7	6
SECTION 3.3.	Fixed Amount Reimbursement (FAR) Commitments.	8	6
SECTION 3.4.	Project Assistance Completion Date ("PACD").	8	7
ARTICLE 4:	Loan Terms	9	7
SECTION 4.1.	Interest	9	7
SECTION 4.2.	Repayment	10	7
SECTION 4.3.	Application, Currency, and Place of Payment.	11	8
SECTION 4.4.	Prepayment	11	8
SECTION 4.5.	Renegotiation of Terms	11	8
SECTION 4.6.	Termination on Full Payment.	13	8
ARTICLE 5:	Conditions Precedent to Disbursement.	13	8
SECTION 5.1	Conditions Precedent to First Disbursement.	13	8
SECTION 5.2.	Conditions Precedent to Disbursement for Commodities and Construction Related to the Power Generation Component.	14	9

TABLE OF CONTENTS—Continued

		Pages	[Pages herein]
SECTION 5.3.	Conditions Precedent to Disbursement for Fixed Amount Reimbursement of System Expansion Work Orders Under the Rural Distribution System Expansion Component.	15	9
SECTION 5.4.	Condition Precedent to Disbursement for Fixed Amount Reimbursement for Work under the Energy Loss Reduction Component.	16	10
SECTION 5.5.	Condition Precedent to Disbursement for the New Comprehensive Training Program for Distribution Function Personnel of WAPDA Under the Distribution Function Training Component.	17	10
SECTION 5.6.	Conditions Precedent to Disbursement for Design and/or Construction of a Central Distribution Function Training Institute Under the Distribution Function Training Component.	18	10
SECTION 5.7.	Notification	19	10
SECTION 5.8.	Terminal Dates for Conditions Precedent.	19	11
ARTICLE 6:	Covenants	22	12
SECTION 6.1.	Project Evaluation	22	12
SECTION 6.2.	Training and Work Requirements.	23	12
SECTION 6.3.	Quarterly Activity Reports	23	12
ARTICLE 7:	Special Conditions—Cultivation of Opium Poppy and Processing of Opium into Heroin.	25	13
ARTICLE 8:	Procurement Source	27	13

TABLE OF CONTENTS—Continued

		Pages	[Pages herein]
SECTION 8.1.	Foreign Exchange Costs	27	13
SECTION 8.2.	Local Currency Costs	28	14
ARTICLE 9:	Disbursements	29	14
SECTION 9.1.	Disbursements for Foreign Exchange Costs.	29	14
SECTION 9.2.	Disbursements for Local Currency Costs.	30	14
SECTION 9.3.	Other Forms of Disbursement	32	15
SECTION 9.4.	Rate of Exchange	32	15
SECTION 9.5.	Date of Disbursement	32	15
ARTICLE 10:	Miscellaneous	33	15
SECTION 10.1.	Communications	33	15
SECTION 10.2.	Representatives	34	16
SECTION 10.3.	Standard Provisions Annex[1]	35	16

A.I.D. LOAN NO. 391-K-189

PROJECT LOAN AGREEMENT DATED: MAY 23, 1983 BETWEEN THE PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN, (HEREINAFTER REFERRED TO AS THE "COOPERATING COUNTRY") AND THE UNITED STATES OF AMERICA, ACTING THROUGH THE AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

ARTICLE 1: *The Agreement*

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Cooperating Country of the Project described below, and with respect to the financing of the Project by the Parties.

ARTICLE 2: *The Project*

SECTION 2.1. *Definition of Project.* The Project, which is further described in Annex 1, is designed to assist the Government of Pakistan to expand reliable electric service to its rural population for productive and social uses, to improve the rural poor's access to that service, and to assist the Cooperating Country to overcome a shortfall in electric power generation capacity. Activities to be financed by A.I.D. include: (a) institutional strengthening of the dis-

[1] Not printed here. The annex is deposited in the archives of the Department of State where it is available for reference. [Footnote added by the Department of State.]

tribution function within the Water and Power Development Authority (WAPDA) including the development of a National Rural Electrification Master Plan; (b) the design and implementation of a Comprehensive Distribution Function Training Program; (c) the design and implementation of a Comprehensive Distribution System Energy Loss Reduction Program; (d) partial funding of Phase I of the Guddu Combined Cycle Turbine Facility to assist Pakistan to narrow the existing power supply-demand gap; and, (e) the design and implementation of a Rural Electrification System Expansion Program. Annex 1, attached, amplifies the above definition of the Project.

Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 10.2, without formal amendment of this Agreement.

SECTION 2.2. *Incremental Nature of Project.*

(a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to the availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

(b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Cooperating Country, may specify in Project Implementation Letters appropriate time periods for the utilization of funds provided by A.I.D. under each individual increment of assistance.

ARTICLE 3: *Financing*

SECTION 3.1. *The Loan.* To assist the Cooperating Country to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended,[1] agrees to lend the Cooperating Country under the terms of this Agreement not to exceed Twenty Seven Million United States ("U.S.") dollars ($27,000,000) ("Loan"). The aggregate amount of disbursements under the Loan is referred to as "Principal."

The Loan may be used to finance foreign exchange costs, as defined in Section 8.1, and local currency costs, as defined in Section 8.2, of goods and services required for the Project.

SECTION 3.2. *Cooperating Country Resources for the Project.* The Cooperating Country agrees to provide or cause to be provided for the Project all funds, in addition to the Loan, and all other resources required to carry out the Project effectively and in a timely manner.

SECTION 3.3. *Fixed Amount Reimbursement (FAR) Commitments.* Loan and Grant increments required for Fixed Amount Reimburse-

[1] 75 Stat. 424; 22 U.S.C. § 2151. [Footnote added by the Department of State.]

ment (FAR) of system expansion work orders under the rural distribution component of this Project will not be obligated or made available by A.I.D., unless A.I.D. after review of the comprehensive plan of progress of institutional improvements supported by this Project, and available generation capacity, determines to do so.

SECTION 3.4. *Project Assistance Completion Date ("PACD").*

(a) The PACD, which is September 30, 1988, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Loan will have been performed and all goods financed under the Loan will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Loan for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 9.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Cooperating Country, may at any time or times reduce the amount of the Loan by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

ARTICLE 4: *Loan Terms*

SECTION 4.1. *Interest.* The Cooperating Country will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum for ten (10) years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance will accrue from the date (as defined in Section 9.5) of each respective disbursement, and will be payable semiannually. The first payment of interest will be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 4.2. *Repayment.* The Cooperating Country will repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement of the Loan in sixty-one (61) approximately equal semiannual installments of Principal and interest. The first installment of Principal will be payable nine and one-half (9½) years after the date on which the first interest payment is due in accordance with Section 4.1. A.I.D. will provide the Cooperating Country with an amortization schedule in accordance with this Section after the final disbursement of the Loan.

SECTION 4.3. *Application, Currency, and Place of Payment.* All payments of interest and Principal hereunder will be made in U.S. Dollars and will be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

SECTION 4.4. *Prepayment.* Upon payment of all interest and any refunds then due, the Cooperating Country may prepay, without penalty, all or any part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity.

SECTION 4.5. *Renegotiation of Terms.*

(a) The Cooperating Country and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of Pakistan, which enable the Cooperating Country to repay the Loan on a shorter schedule.

(b) Any request by either Party to the other to so negotiate will be made pursuant to Section 10.1, and will give the name and address of the person or persons who will represent the requesting Party in such negotiations.

(c) Within thirty (30) days after delivery of a request to negotiate, the requested Party will communicate to the other, pursuant to Section 10.1, the name and address of the person or persons who will represent the requested Party in such negotiations.

(d) The representatives of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under subsection (c). The negotiations will take place at a location mutually agreed upon by the representatives of the Parties, provided that, in the absence of mutual agreement, the negotiations will take place at the office of the Secretary, Economic Affairs Division, Ministry of Finance and Economic Affairs, Government of Pakistan, Pakistan Secretariat, Islamabad, Pakistan.

SECTION 4.6. *Termination on Full Payment.* Upon payment in full of the Principal and any accrued interest, this Agreement and all obligations of the Cooperating Country and A.I.D. under it will cease.

ARTICLE 5*: *Conditions Precedent to Disbursement*

SECTION 5.1. *Conditions Precedent to First Disbursement.* Except as A.I.D. may otherwise agree in writing, prior to any disbursement of the Loan, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Cooperating Country will furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Cooperating Country, and that it constitutes a valid and legally binding obligation of the Cooperating Country in accordance of all of its terms; and,

(b) A statement of the names of the persons holding or acting in the office of the Cooperating Country specified in Section 10.2, and a specimen signature of each person specified in such statement.

SECTION 5.2. *Conditions Precedent to Disbursement for Commodities and Construction Related to the Power Generation Component.* Except as A.I.D. may otherwise agree in writing, prior to the disbursement of funds under this Project for commodities and construction related to the Power Generation Component for this Project, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Cooperating Country, acting through WAPDA, shall furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(a) evidence that adequate and appropriately scheduled financing has been secured, and a contract has been executed for the construction of a completely operational Guddu IV Steam Generating Facility; and,

(b) an updated feasibility study for Phases I and II of the Guddu Combined Gas Turbine Facility establishing the Facility's technical and economic feasibility; and,

(c) evidence that (1) adequate and appropriately scheduled financing for Phase I of the Guddu Combined Cycle Gas Turbine Facility has been secured and, (2) formal procedures are in progress to arrange adequate and appropriately scheduled financing for Phase II of the Guddu Combined Cycle Gas Turbine Facility.

SECTION 5.3. *Conditions Precedent to Disbursement for Fixed Amount Reimbursement of System Expansion Work Orders Under the Rural Distribution System Expansion Component.* Except as A.I.D. may otherwise agree in writing, prior to the disbursement of funds under this Project for Fixed Amount Reimbursement (FAR) of System Expansion Work Orders under the Rural Distribution System Expansion component of this Project, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Cooperating Country, acting through WAPDA, shall furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that: (a) a Comprehensive National Rural Electrification Master Plan has been developed and is being implemented according to schedule; (b) execution of plans for additional power generation capacity is proceeding satisfactorily; and (c) an economically

* Conditions Precedent to Disbursement of Grant funds appear as Article 4 of the Project Grant Agreement for Rural Electrification executed on September 25, 1982. [*Ed. note:* not printed.]

feasible and administratively sound System Expansion Work Order Design and Management System consistent with the Master Plan has been developed based on accurate data.

SECTION 5.4. *Condition Precedent to Disbursement for Fixed Amount Reimbursement for Work under the Energy Loss Reduction Component.* Except as A.I.D. may otherwise agree in writing, prior to the disbursement of funds under this Project for Fixed Amount Reimbursement (FAR) for work under the Energy Loss Reduction Component of this Project, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Cooperating Country, acting through WAPDA, shall furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that an economically feasible and administratively sound Rehabilitation Work Order Design and Management System has been developed based on accurate data.

SECTION 5.5. *Condition Precedent to Disbursement for the New Comprehensive Training Program for Distribution Function Personnel of WAPDA Under the Distribution Function Training Component.* Except as A.I.D. may otherwise agree in writing, prior to the disbursement of funds under this Project for the New Comprehensive Training Program under the Distribution Function Training Component of this Project, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Cooperating Country, acting through WAPDA, shall furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that a feasible and effective new Comprehensive Training Program for distribution function personnel of WAPDA has been developed.

SECTION 5.6. *Conditions Precedent to Disbursement for Design and/or Construction of a Central Distribution Function Training Institute Under the Distribution Function Training Component.*

(a) Except as A.I.D. may otherwise agree in writing, prior to the disbursement of funds by A.I.D. for architectural and engineering services to review the site for the construction of a Central Distribution Function Training Institute under the Distribution Function Training Component of this Project, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Cooperating Country, acting through WAPDA, shall identify a proposed site for the Training Institute acceptable to A.I.D.; and

(b) Except as A.I.D. may otherwise agree in writing, prior to any disbursement of funds by A.I.D. for architectural and engineering services with respect to such Training Institute, other than site review, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Cooperating Country, acting through WAPDA, shall establish its right, in form and substance satisfactory to A.I.D., to ownership or adequate and sufficient use and occupancy of the proposed land site for the Training Institute.

SECTION 5.7. *Notification.* When A.I.D. has determined that the conditions precedent specified in Sections 5.1, 5.2, 5.3, 5.4, 5.5 and

5.6 have each been met, A.I.D. will promptly so notify the Cooperating Country.

SECTION 5.8. *Terminal Dates for Conditions Precedent.*

(a) If the conditions specified in Section 5.1 have not been met within 60 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Cooperating Country.

(b) If the conditions specified in Section 5.2 have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Loan, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Cooperating Country. In the event of such termination, the Cooperating Country will repay immediately the Principal then outstanding and any accrued interest; on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate.

(c) If the conditions specified in Section 5.3 have not been met by September 25, 1984 or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Loan, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Cooperating Country. In the event of such termination, the Cooperating Country will repay immediately the Principal then outstanding and any accrued interest; on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate.

(d) If the conditions specified in Section 5.4 have not been met by March 25, 1984, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Loan, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Cooperating Country. In the event of such determination, the Cooperating Country will repay immediately the Principal then outstanding and any accrued interest; on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate.

(e) If the conditions specified in Section 5.5 have not been met by September 25, 1984, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Loan, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Cooperating Country. In the event of such termination, the Cooperating Country will repay immediately the Principal then outstanding and any accrued interest; on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate.

(f) If the conditions specified in Section 5.6 have not been met by September 25, 1984, or such later date as A.I.D. may agree to in

writing, A.I.D., at its option, may cancel the then undisbursed balance of the Loan, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Cooperating Country. In the event of such termination, the Cooperating Country will repay immediately the Principal then outstanding and any accrued interest on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate.

ARTICLE 6: *Covenants*

SECTION 6.1. *Project Evaluation.* The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

(a) evaluation of progress towards attainment of the objectives of the Project;

(b) identification and evaluation of problem areas and constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and,

(d) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 6.2. *Training and Work Requirements.* The Cooperating Country, acting through WAPDA, shall make every reasonable effort to require that all persons trained under this Project work in electric utility, electricity distribution, and/or rural electrification activities in Pakistan for not less than three times the length of time of his or her training program provided, however, that, in no event, shall the individual be allowed to work for less than one year nor be required to work for more than five years from the date of the individual's completion of training.

SECTION 6.3. *Quarterly Activity Reports.* Except as A.I.D. may otherwise agree in writing, WAPDA shall furnish to A.I.D. quarterly activity reports, the requirements for which shall be set forth by A.I.D. in Project Implementation Letters. These requirements may include, but are not limited to, providing information concerning: (a) comprehensive distribution planning (financial, administrative, and technical), including development of a comprehensive National Rural Electrification Master Plan; and (b) the hierarchy, functions, responsibilities, authority, organization, and staffing of the Office of the General Manager of Distribution and other WAPDA administrative units sharing responsibility for electric power distribution and rural electrification; (c) the functions, responsibility, autonomy, organization, staffing, and facilities of Area Electricity Boards; (d) the duties, responsibility, and authority of the Rural Electrification Office (REO); (e) distribution function staffing and personnel administration, policies, and practices; (f) improvements in customer service facilities and procedures; (g) improvements in customer ac-

counts management; (h) rationalization of cost and service, rates, recurrent costs, and property valuation, and depreciation practices; (i) improvement in collection, dissemination, and utilization of statistics; and, (j) improvements in procurement and inventory management procedures.

ARTICLE 7: *Special Conditions—Cultivation of Opium Poppy and Processing of Opium into Heroin*

The Government of Pakistan (GOP) agrees to undertake appropriate measures to prohibit cultivation of opium poppy and/or processing of opium into heroin or morphine base within any area benefiting from this Project. In the event that a determination is made that the cultivation of opium poppy and/or processing of opium into heroin is occurring in an area programmed to benefit or benefiting from this Project, no assistance under this Project directly benefiting that area shall commence and, if commenced, such assistance shall be suspended until the prohibited activity is eliminated. If the prohibited activity found to exist is not fully eliminated within a specified period of time to be agreed upon by the United States Government and the GOP, all assistance under this Project directly benefiting that area may be terminated. If, prior to the Project Assistance Completion Date (PACD) established by A.I.D. for this Project as it may be from time to time amended, it is determined that the prohibited activity is occurring in an area which has benefited from this Project and the prohibited activity is not eliminated within a period of time to be agreed upon by the United States Government and the GOP, the GOP shall reimburse A.I.D. for all assistance that the GOP has received from A.I.D. under this Project, which has resulted in direct benefits to that area in which the prohibited activity is occurring.

Without limitation of other provisions applicable to termination and/or refund as set forth in this Project Agreement and annexes hereto, if A.I.D. determines that A.I.D. is entitled to reimbursement under the provisions of this Article of the Agreement, A.I.D. may require the Cooperating Country to refund the amount of any disbursements from the Loan for which there is an entitlement to reimbursement to A.I.D. in U.S. Dollars within 120 days after receipt of request therefor. Such refunds paid by the Cooperating Country to A.I.D. shall be considered as a reduction in the amount of A.I.D.'s obligation under the Loan, but may be made available for reuse under the Loan if so authorized by A.I.D. in writing.

ARTICLE 8: *Procurement Source*

SECTION 8.1. *Foreign Exchange Costs.* Disbursements pursuant to Section 9.1 will be used exclusively to finance the costs of goods and services required for the Project having with respect to goods, their source and origin and with respect to services, their nationality in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods and services), or Pakistan ("Foreign Exchange

Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Loan Standard Provisions Annex, Section C.1(b) with respect to marine insurance. Ocean transportation will be financed under the Loan only on vessels under flag registry of the United States or Pakistan, except as A.I.D. may otherwise agree in writing. If A.I.D. determines either that there are no vessels under flag registry of Pakistan generally available for ocean transportation, or that Pakistan has no access to U.S. flag service, A.I.D., in a Project Implementation Letter, may agree to finance under the Loan ocean transportation costs on vessels under flag registry of any country included in A.I.D. Geographic Code Book 941.

SECTION 8.2. *Local Currency Costs.* Disbursements pursuant to Section 9.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Pakistan ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

ARTICLE 9: *Disbursements*

SECTION 9.1. *Disbursements for Foreign Exchange Costs.*

(a) In accord with requirements of conditions precedent, the Cooperating Country may obtain disbursements of funds under the Loan for the Foreign Exchange Costs of goods and services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D. with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services; or (B) requests for A.I.D. to procure commodities or services in the Cooperating Country's behalf for the Project; or

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

Banking charges incurred by the Cooperating Country in connection with Letters of Commitment and Letters of Credit will be financed under the Loan unless the Cooperating Country instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Loan.

SECTION 9.2. *Disbursement for Local Currency Costs.*

(a) In accord with requirements of conditions precedent, the Cooperating Country may obtain disbursements of funds under the Loan for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D.,

with necessary supporting documentation, as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained:

(1) by acquisition by A.I.D. with U.S. Dollars by purchase or from local currency already owned by the U.S. Government; or,

(2) by A.I.D. (A) requesting the Cooperating Country to make available the local currency for such costs, and (B) thereafter making available to the Cooperating Country, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Cooperating Country or its designee, an amount of U.S. Dollars equivalent to the amount of local currency made available to the Cooperating Country, which Dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. Dollars equivalent to the local currency made available hereunder will be, in the case of subsection (b)(1) above, the amount of U.S. Dollars required by A.I.D. to obtain the local currency, and in the case of subsection (b)(2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

SECTION 9.3. *Other Forms of Disbursement.* Disbursements of the Loan may also be made through such other means as the Parties may agree to in writing.

SECTION 9.4. *Rate of Exchange.* Except as may be more specifically provided under Section 9.2, if funds provided under the Loan are introduced into Pakistan by A.I.D. or any public or private agency for the purposes of carrying out obligations of A.I.D. hereunder, the Cooperating Country will make such arrangements as may be necessary so that such funds may be converted into the currency of Pakistan at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Pakistan.

SECTION 9.5. *Date of Disbursement.* Disbursements by A.I.D. will be deemed to occur (a) on the date on which A.I.D. makes a disbursement to the Cooperating Country or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract, or purchase order; (b) on the date on which A.I.D. disburses to the Cooperating Country or its designee local currency acquired in accordance with Section 9.2(b)(1); or (c) if local currency is obtained in accordance with Section 9.2(b)(2), on the date on which A.I.D. opens or amends the Special Letter of Credit there referred to.

ARTICLE 10: *Miscellaneous*

SECTION 10.1. *Communications.* Any notice, request, document or other communication submitted by either Party to the other under

this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To the Cooperating Country:

Mail Address: Economic Affairs Division, Ministry of Finance & Economic Affairs, Government of Pakistan, Islamabad (Pakistan)

Alternative address for cables: ECONOMIC ISLAMABAD.

To A.I.D.:

Mail Address: USAID Mission to Pakistan, P.O. Box 1028, Ramna 5, Islamabad (Pakistan)

Alternative address for cables: USAIDPAK ISLAMABAD.

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice. The Cooperating Country, in addition, will provide the USAID Mission/Pakistan with a copy of each communication sent to A.I.D.

SECTION 10.2. *Representatives.* For all purposes relevant to this Agreement, the Cooperating Country will be represented by the individual holding or acting in the Office of the Secretary, Joint Secretary and the Deputy Secretary for Economic Affairs Division and A.I.D. will be represented by the individual holding or acting in the Office of the Director, USAID Mission to Pakistan, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1.[1] The names of the representatives of the Cooperating Country, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 10.3. *Standard Provisions Annex.* A "Project Loan Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.[2]

IN WITNESS WHEREOF, the Cooperating Country and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

GOVERNMENT OF PAKISTAN

By: EJAZ A. NAIK
Name: Ejaz A. Naik
Title: *Secretary,*
Economic Affairs Division

UNITED STATES OF AMERICA

By: RONALD I. SPIERS
Name: Ronald I. Spiers
Title: *Ambassador of the*
United States of America
By: DONOR M. LION
Name: Donor M. Lion
Title: *Director,*
USAID/Pakistan

[1] Not printed.
[2] See footnote 1, p. 5.